U.S. FARMER COOPERATIVE SERVICE
U. S. DEPARTMENT OF AGRICULTURE
Washington 25, D. C.

HIGHLIGHTS ~~OF TALKS AND DISCUSSION~~

at the

19th Annual Workshop, December 10-12, 1956

on the Theme

BETTER RESEARCH FOR BETTER COOPERATIVES

INTRODUCTION

This report was developed by a Committee of FCS staff members* from notes they had made during the Workshop. In a few instances copies of papers presented were available.

It is a digest of remarks rather than exact quotations. It reports only the high lights and important comments brought out in the discussions that followed.

Members of the Program Committee for the 19th Annual Workshop were:

Donald E. Hirsch, Dairy Branch, Chairman
Henry W. Bradford, Poultry Branch
Robert J. Byrne, Transportation Branch
Nelda Griffin, Business Administration Branch
J. Warren Mather, Farm Supply Branch
Bert D. Miner, Frozen Food Locker Branch
Homer J. Preston, Fruits and Vegetable Branch
Ira M. Stevens, Livestock and Wool Branch
Martin A. Abrahamsen, Purchasing Division (Ex Officio)

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*The Highlights Committee consisted of:

Ira M. Stevens, Livestock and Wool Branch, Chairman
Stanley F. Krause, Dairy Branch
Warren K. Trotter, Farm Supply Branch

(Joseph M. Cowden and John M. Bailey also helped by reporting two of the work group discussions the afternoon of December 17.)

WORKSHOP OBJECTIVES

Joseph G. Knapp, Administrator, Farmer Cooperative Service
United States Department of Agriculture

Our first workshop was held in 1939. Dr. Harry Wellman gave a series of lectures on research techniques and procedures.

Over the years we have given emphasis to various aspects of our work. We use the workshop to get acquainted with ourselves and our colleagues in the Department. We call on representatives of the cooperatives and the colleges. These workshops have been one of our most important training tools and all members of the staff are expected to plan their work so they can attend.

Our primary objective this year is given in our theme, Better Research for Better Cooperatives. In addition we should aim to strengthen our professional morale, improve understanding of our program, help new staff members get the feel of our organization and enjoy the friendly give and take of expressing our ideas to each other.

One other thing - these workshops help us maintain our prespective - our sense of balance. As David F. Austin, Executive Vice President in Charge of Sales with U. S. Steel, recently said, "We must not become so busy doing things ..... that we neglect to develop integrated long-range plans adequate to carry us safely into the future."

THE ROLE OF COOPERATIVES IN A BALANCED FARM PROGRAM

Ervin L. Peterson, Assistant Secretary,
United States Department of Agriculture

Workshops of this type are a good working tool to appraise our progress in helping our farm producers improve their income opportunities and lessen the cost of production tools.

Essential adjustments in agriculture from wartime economy have largely been made, but market development has lagged behind. Cooperatives with help of FCS should take leadership in developing and expanding markets for farm products.

Sometimes in our effort to solve problems at hand we have overlooked the main object of cooperatives - to help farmers get greater bargaining power. If the cooperative form of organization is unable to help farmers better their opportunities, it has no excuse for existence.

Your job as I see it is to delineate the problems and opportunities for cooperatives to serve agriculture. Results of cooperative enterprise should be over and above the benefits obtainable from any other type of business organization.

If a cooperative has validity in this concept, we must delineate, define and depict the results it has or can obtain so that others will be aware of the benefits accruing from this type of business organization, and the part it can play in helping farmers realize greater rewards from their production enterprises.

WHY FARMERS NEED COOPERATIVES

James A. McConnell, Farmer
Mansfield, Penn.*

A cooperative in a community contributes to the welfare of the farmer in the following ways:

1. Builds his dignity or permits him to achieve the same dignity as other people in our society, opening to him the door of opportunity.

2. Aids in the quicker and wider dissemination of research results.

3. Leads in tailoring distribution of supplies to farm community needs.

4. Builds excellent farm leadership.

5. Gives more service than competitors but also forces them to give greater service.

The individual has no voice today except through group action. The necessity for group action is much greater now than formerly and will be needed more as we move into an industrial society. Without strong cooperatives, services offered by the large individually controlled companies would be tailored to their own needs rather than to the needs of the farmer.

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*Recently Assistant Secretary of Agriculture, and for many years, General Manager of the G.L.F.

"Agribusiness" - agricultural business - the field in which all cooperatives work - is very dynamic. The changes are so rapid and so far-reaching that a businessman who fails to recognize these trends in advance will soon be out of business.

The question is not so much why farmers need cooperatives but whether cooperatives can develop the kind of management to change fast enough to meet their members needs. This is a tremendous challenge to the cooperative leadership of the country.

If cooperative leadership turns to Government to solve farm problems, as it has in some cases in the past, then farmers probably do not need the present types of cooperatives. Bargaining agencies can be developed, with much less overhead, to do the kind of job necessary when the program is largely Government controlled.

Discussion

Question: Please enlarge on the following idea: The management of cooperatives in the future will depend upon whether there is more or less Government control.

Answer: By Government control we mean using Government to price farm products and prescribe conditions under which they will be produced. The Government would handle large quantities of products and exercise extensive police power. If this is the direction we go, then cooperative management will need to be highly skilled in working with Government.

However, if we go in the direction of less Government influence, then this type of skill will not be needed, but management will still need to deal with dynamic business and industry, so in any event their problems will not be small.

Cooperative management must make up their minds as to the direction they wish to go - toward more Government control or toward a position where the law of supply and demand can work to some extent.

Question: Can cooperatives do the job?

Answer: Much of their "job" is in their ability to exercise group action and collective bargaining. This aspect is more important than any greater efficiency cooperatives may achieve or more extensive services they may render.

WHAT IS A "BETTER COOPERATIVE"

Homer L. Brinkley, Executive Vice President
National Council of Farmer Cooperatives
Washington, D. C.

Changes in the climate in which cooperatives operate require them to render better service. We have witnessed changes in the concept of service by business and in the function of the manager of a cooperative.

To meet needs, it takes:

1. Good management. Management makes the difference between success and failure in many cases.

2. Sound financial structure. Financial soundness requires participation by membership.

Other needs:

1. Sound membership relations. There is risk of losing the identity between cooperative and membership.

2. Proper use of research also distinguishes the live cooperative. Cooperatives should undertake more joint research.

3. Sound personnel policies to attract, develop, and hold good personnel.

4. More joint action between cooperatives. This may involve (a) mergers, (b) joint ownership of facilities, and (c) research.

J. Kenneth Stern, President
American Institute of Cooperation
Washington, D. C.

Research is just plain insurance for survival. Many of us have failed to realize the significance of increasing size of businesses.

How big must a cooperative be? Cooperatives are not big business; rather they are getting smaller compared with other business. They must be big enough to compete on Main Street and also in bargaining sessions.

Many of us, including researchers, are too concerned with maintaining the status quo. We seek ways to save a few cents in doing things, but mainly assume doing things basically as at present. A major change in organization may be required to accomplish larger savings. Better cooperative personnel and leadership are needed to assist in these changes. FCS can provide national leadership especially in those situations that involve joint action or reorganization.

Patrick B. Healy, Assistant Secretary,
National Milk Producers Federation
Washington, D. C.

The kind of cooperative needed has changed so much that the best cooperative of a few years ago would be only a good or better cooperative today. We should emphasize the basic similarity of cooperatives. A cooperative is a business organization through which farmers work together.

Dairy marketing conditions have changed rapidly. One result is that market lines have been obliterated. Now there is an attempt at integrated national pricing.

Cooperatives need not necessarily become large. However, they must at least mature to the extent of doing things jointly. They must do as well as their member farmers have done. Officials and employees of cooperatives ask farmers to join together to do things. Now the officials of cooperatives must use as much courage and originality in joining together to do things as the farmers used originally, when they organized the cooperative.

Discussion

Question: What are obstacles to group action of cooperatives?

Answer (Stern): Personal factors: Lethargy, fear of losing positions, pride of founders.

Question: What is the effect of consolidation on the small farmer?

Answer (Stern): Cooperatives haven't been realistic about the different needs of big and small farmers. They are becoming more realistic in meeting needs of both groups.

Question: Three large dairy corporations were mentioned. Can bargaining cooperatives meet the challenge posed by this market situation, or must cooperatives distribute milk themselves?

Answer (Healy): Dairy cooperatives are in processing and distribution as much as cooperatives in other commodities. Perhaps this needs to be expanded.

Question: What is the impact of mergers on competition and efficiency in the long run?

Answer (Brinkley): We can delude ourselves by saying mergers can solve too many problems. Many mergers are based on expected tax savings and the like, rather than operating savings. We need to analyze precisely what can be accomplished by mergers before they are prescribed.

Question: When speaking of consolidation, to what extent are we speaking of vertical integration?

Answer (Brinkley): This is an individual matter. In some cases cooperatives need to go a step or two farther in processing or procurement.

Question: Why are cooperatives often slow to make changes?

Answer (Brinkley): Financial structure is the big obstacle. Knowledge of a proven way of improving the capital structure of a cooperative would be useful.

Question: What is the role of FCS in helping develop better cooperatives?

Answer (Stern): FCS should provide leadership in pointing the direction for cooperatives to move and ways for attaining their goals.

HIGHLIGHTS AND RESULTS OF CORE REPORT

George W. Irving, Jr., Deputy Administrator for Research,
Agricultural Research Service,
United States Department of Agriculture

The Committee on Research Evaluation (CORE) was set up by administrative memorandum to make a comprehensive appraisal of the research being carried on in the Department of Agriculture. Twenty task groups composed of 150 committee members from all research agencies in the U.S.D.A. were set up to study various aspects of the work. Farmer Cooperative Service was represented in these task groups by J. K. Samuels, M. A. Abrahamsen, C. G. Randell, L. B. Mann, and Anne Gessner. They made a real contribution to the report. We appreciate the many hours of work expended by these and other committee members.

Duties of the overall committee were:

1. To determine objectives of the Department's Research activities;

2. To describe the kind of research program needed to accomplish these objectives;

3. To examine how well the present research program meets the needs of agriculture and

4. To suggest changes needed to bring the program more into conformity with objectives.

Highlights of Findings:

1. The Department's research program is well directed and the various lines of research are complementary one to another.

2. Turnover of research funds is good. When efforts to solve problems in one area are exhausted redirection of funds to other problems is good.

3. The program lacks balance. Greater emphasis should be given research in the following fields:

   a. Utilization and marketing
   b. Production adjustments
   c. Home economics and human nutrition
   d. Developing more efficient processes
   e. Economies of scale

The committee believed that balance could better be achieved by expanding the program rather than by making adjustments in the existing program. Estimates of the size of the program needed have been made based on an average expenditure by industry for research of 1.3 percent of gross product value. The estimated annual expenditure of $330 million on agricultural research by private industry, and State and Federal Governments as a percentage of product value represents only one-third of the average figure of other industries. A modest requirement would be for agriculture to raise research expenditures to a level equal to the average of other industries.

The final report of the committee will be expanded to cover research carried on in Land Grant Colleges, and to reflect the thinking of Experiment Station leaders on the overall research program.

COOPERATIVES' PROBLEMS THAT NEED RESEARCH

Homer G. Smith, President,
Central Bank for Cooperatives

The first year of operation of the Banks for Cooperatives since their conversion under the Farm Credit Act of 1955 has been very successful.

Of the $20 million in capital owned by cooperatives and redeemable upon repayment of loans in the 13 Banks for Cooperatives a year ago, 75 percent is now converted into the revolving Type B stock, owned by the cooperatives.

About two-thirds of all cooperatives in the United States are served by the Banks for Cooperatives directly or through loans to affiliated regional or federated cooperatives. The volume of business of the thirteen banks is doubling in size each 10 years. There was an 18-percent increase in outstanding loans during the past year.

An increasing volume of business is anticipated as commodity prices rise above support levels because of factors such as the new soil bank program and the expanded export program.

Some of the more important problems needing research as related to the work of the Banks for Cooperatives are as follows:

1. Development of a primer on financing of cooperatives.

2. Methods for developing better board-management-membership relationships. This would include ways and means for keeping open two-way lines of communication.

3. Economic implications of the increased use of fertilizer; also the effect on present facilities, particularly in relation to atomic energy development.

4. Cost studies in various field, particularly bulk milk tank utilization; also facility expansion in other fields.

5. Various types of marketing and utilization research.

Lack of capital is a factor limiting the development of cooperatives. We believe firmly that farmers should have an adequate capital investment in their cooperative business but we consider it sound business for farmers, or cooperatives to finance a part of their operations on borrowed money. There is danger of making financing too easy. Banks for Cooperatives have set up safeguards to protect their risks.

Discussion

Question: You indicated that in the Central Bank commodity loans and loans for operating capital were up 70 percent, whereas loans for new facilities and expansion were down 40 percent during the past year. Why the reduction in the facility loans?

Answer: The cooperatives have probably reached a plateau, having done quite a bit of facility expansion in recent years. New facility loans are substantial but the payoff on outstanding loans is much greater.

SIGNIFICANCE OF RECENT COURT CASES AFFECTING COOPERATIVES

Raymond J. Mischler, Attorney,
Office of the General Counsel,
United States Department of Agriculture

Current Developments in Federal Income Taxation

Internal Revenue Service issued new proposed regulations covering exempt farmer cooperatives in January 1956. The farmer cooperative part of these regulations will appear about as proposed. Rulings affecting cooperatives have appeared quarterly in our Summary of Cooperative Cases. Recent decisions about taxation of patrons for noncash distributions received from cooperatives have, however, further confused that issue.

Price Fixing by Farmer Cooperatives Legal

It was the recent holding in the local Federal District Court that a combination between two or more agricultural cooperatives to fix prices for their products is exempt from antitrust laws if no others are part of the combination. The acquittal involved two nearby dairy cooperatives which were charged with unlawful combination and conspiracy to fix prices for certain sales of milk.

In November, the Department of Justice filed a civil suit against Maryland and Virginia Milk Producers Association making a number of charges including a conspiracy to fix prices. The cooperative is charged with eliminating competition by buying Embassy Dairy in 1954. Important issues in this case have never been passed upon above the Federal District Court level.

Discussion

Much of the discussion was to clarify the recent cases involving local dairy cooperatives. It was noted that the road to increased bargaining power of cooperatives may be rocky with good legal advice.

The fact that the Maryland and Virginia Milk Producers Association is a cooperative may not be a relevant factor in the civil suit against that association since the charges relate to types of activities not immunized by the Capper-Volstead Act. The Department of Agriculture has limited jurisdiction, conferred by the Capper-Volstead Act, over undue enhancement of prices by farmer cooperatives. No such undue enhancement of price is involved in this case.

QUESTIONS AND ANSWERS ON LEGAL AND TAX PROBLEMS OF COOPERATIVES

Lyman S. Hulbert, Legal Consultant,
American Institute of Cooperation

Answers to Questions Relating to Monopoly:

1. Consolidation of cooperatives has brought on no special legal problem. Competition has generally been facilitated. Applicable State statutes have been applied. Enabling legislation has been necessary in a few instances.

2. The decision of the criminal case involving the Maryland and Virginia Milk Producers Association (D.C.) and Maryland Milk Producers (Baltimore) probably gave cooperatives more freedom in joint marketing activities. The decision indicates cooperatives need not federate or use common marketing agencies to market jointly.

3. Courts have not defined free enterprise. Cooperatives are just as much a part of free enterprise system as any other firm in that they work for the financial advantage of their members.

4. Dairy cooperatives have no authority to issue sanitary regulations, therefore, cannot use them to restrain trade.

5. The Secretary of Agriculture was not asked to investigate the Maryland and Virginia Milk Producers Association because he had no authority in the case. His authority under the Capper-Volstead Act applies only when price of the commodity under question has been unduly enhanced.

Answers to Questions Relating to Taxation:

1. Local cooperatives are not required to allocate refunds from regional associations. However, they must pay tax on savings not so allocated. The reason for this is that the Bureau of Internal Revenue became aware that millions of dollars were being accumulated by cooperatives on which no tax had been paid. The Internal Revenue Act of 1951 attempted to correct this situation by making all savings of a cooperative taxable at either the cooperative or individual member level. If cooperatives and members don't accept this method, they may get one that they like even less. A cooperative should try to arrange its affairs so that it is able to pay sufficient refunds in cash to take care of any tax liability of members resulting from the coopertive's refund policy.

2. Advantages to a cooperative of exempt status under income tax laws are minor. Main advantages of exemption are these deductions in computing taxable income:

a. Dividends paid on stock.
b. Nonpatronage income allocated on a patronage basis. Exemption also confers exemption from the Securities Act for securities issued by the cooperative.

General Observation:

Young farmers often fail to recognize the value of their cooperatives to the whole structure of marketing and purchasing activities. For example, the young man's father may have worked hard to cut the cost of handling grain through use of cooperative principles and increased efficiency. The young farmers sees that prices paid for grain by the cooperative and its competitor are not greatly different. He doesn't realize that the cooperative was responsible for forcing competitors in line and that the situation might not continue to be so good without the cooperative.

NEW DEVELOPMENTS AND TRENDS IN AGRICULTURAL MARKETING RESEARCH

Frederick V. Waugh, Director, Agricultural Economics Division
Agricultural Marketing Service
United States Department of Agriculture

Strong Trends:

1. Great expansion in recent years in money and people involved in marketing research. This has not

become overbalanced, however, when we consider that only one-eighth of the Department's research budget is spent for marketing research while 60 percent of the consumer's dollar goes to pay for marketing services.

2. Increase in organizational devices (advisory committees, and the like) designed to improve research. However, there may be danger of becoming over-organized.

3. More detailed studies being made. Examples are studies of:

a. Costs and margins
b. Efficiency of marketing operations

4. Revolution in technical methods applied to research problems. Examples are:

a. Structural analysis
b. Linear programming
c. Electronic computers

5. Increase in emphasis on market development.

Weak Trends:

1. Theory and basic research. Need to stimulate more research in basic theory. Emphasis on applied research has resulted in neglect of basic research. We are behind on demand analysis and supply analysis.

2. Individual initiative. Increased specialization reduces room for individual initiative.

3. Readable reports. Reports are becoming more technical with the result that fewer people understand and use them. Something must be done about this.

4. Public policy. In the early days there was lots of work on basic questions of public policy. Very little has been done in this field since before the war. There is need for continuous study of such things as:

a. The parity formula
b. Cotton program
c. Food stamp plans
d. Problems of monopoly, and
e. The place of cooperatives in getting more countervailing power for agriculture.

Studies by private foundations tend to reflect prejudices of people on the committee. There is a problem in getting conclusions accepted when Government agencies do research on problems of public policy. It is a bad mistake, however, if Government agencies fail to get into research of this type. We are in an ideal situation so far as having knowledge, data, and the like. It may be possible to work in cooperation with States or sponsor university fellowships for department men.

HOW DO WE PUT METHOD INTO "RESEARCH METHODOLOGY"?

Herman M. Southworth, Assistant to the Deputy Administrator
Agricultural Marketing Service
United States Department of Agriculture

In a broad sense, research methodology is how one goes at a research problem. Different methods are appropriate for different problems. The framing of the problem at the outset is fundamental. This helps assure collection of adequate and appropriate data, analysis of which will yield answers to meaningful questions.

Market development studies have shown that different methods may each yield partial answers. Application of several methods may be required to obtain an adequate and reliable answer.

There is need to standardize methods of evaluating certain problems of plant organization and operation so each such study need not be built from the ground up.

Marketing researchers are turning more attention to matters of people, and "what makes people tick."

Imagination is a basic ingredient in research. This is vital in finding the right questions to ask.

The team approach to research is useful but has aroused some controversy. Some claim the team approach stifles imagination. This may be an individual matter; some get stimulus from group discussion, while others may think best be themselves. Good group discussion techniques must be used in this approach to avoid losing time in useless meetings of teams.

Discussion

There is need to review the state of knowledge in certain areas. It is useful to review research findings in an area, partly to see if these parts of answers suggest answers to more general questions.

There was discussion of basic vs. applied research. One proposal has been to earmark funds for strictly basic research. Others feel there is a basic aspect to each applied research project and that therefore basic and applied research should not be considered separately.

Basic research may be defined by examples. In insect and plant disease control, most research has been to find specific methods of control through insecticides. A more basic approach might be to search for disease-resistant strains: to apply less effort to remedies, relative to physiology and more to long-range problems, to basic trends which might help in the whole area of study.

What methods can be used to find the "right question" to ask? An able researcher is so systematic he seldom separately contemplates method. Some of this is needed. The main elements are logical thought processes and knowledge of the subject matter being investigated.

MOTIVATION RESEARCH

M. E. John, Head
Department of Agricultural Economics and Rural Sociology
Pennsylvania State University
State College, Penn.

In order for there to be a demand for a commodity or service, it must meet some needs. For each commodity or service there develops a set of criteria which, when taken collectively, express our expectation from it. When we have alternative choices, we select that product which in our judgment most fully meets the criteria. It is the job of research to find this criteria, measure them and place a value on them.

When a particular characteristic comes to be universally desired, is is universally provided by the industry. A set of these essential characteristics become institutionalized. In making a purchase the housewife doesn't pay attention to them, but that doesn't mean they are not important, only that they are provided by all competing firms. Another set of less important characteristics are desired by many people and are also provided by nearly all firms. Many commodities also have special characteristics. These are lower on the list from the standpoint of utility but since they are not universally provided, they become the basis for decision making.

With the increase in mass communication and intermingling of people through labor unions and farm organizations, cooperatives have less grip on people than formerly. People are "free wheeling" today. For this reason the job of membership relations is tougher than ever before.

As our economy becomes richer, sources of motivation other than economic become more important. Peoples' decisions are based very much on emotions. People are not rational, if we interpret "rational" to mean acting entirely in accordance with economic facts. To keep members of a cooperative happy, leaders must add to the aesthetic and the sentimental values and even bring in the historical and traditional.

In order to be successful, cooperatives must give the feeling that they are moving ahead, improving constantly. A very important noneconomic factor which must be considered is status, i.e., position in relation to other firms.

APPLYING SELECTED RESEARCH TECHNIQUES TO COOPERATIVE PROBLEMS

Max E. Brunk, Professor of Marketing
Department of Agricultural Economics, Cornell University
Ithaca, N. Y.

How To Make Research More Useful

1. Obtain interest and support from those who will receive benefit so as to stimulate their interest.

2. Exercise more care in selecting projects. A narrow scope, timing, sampling and staying ahead of current practices are important.

3. Make shorter studies, or studies with more limited scope.

4. Don't be too much concerned with precise answers.

5. Develop closer working relations with farmers, extension workers, and teaching staffs.

6. Learn to more effectively merchandise research results.

7. Do not insist on detailed research programing. We are working in a dynamic society and with too much emphasis on long-range programing, we may find ourselves on the wrong track and stuck there.

Operating Efficiency of the Firm

Exchange of ideas between firms is basic. The bulk of innovation in operating methods will continue to come from those who are directly engaged in the physical handling of goods. Comparative cost analyses are useful in facilitating this exchange of ideas.

Firms selected for study should represent the best in the industry. These are the firms which are first to develop and apply the latest innovations. Findings from a study of these firms should be useful in increasing the general level of efficiency of all firms.

To insure comparability of data, jobs should be broken down into small segments. Synthesis involves collecting elemental data by observation methods, selecting the best method of performing work on each element, and combining into a composite overall method.

Various Research Techniques:

1. Motion study. This involves observing several workers doing the same job, breaking the work down into elementary movements, discarding useless movements and selecting and describing the best method. Leveling is a subjective technique of eliminating worker differences.

2. Time standards for performing certain carefully defined basic movements have been developed so that once the movements in an operation are identified the standard time requirements for the entire operation can be determined.

3. Work simplification is a technique of improving operational efficiency by teaching and encouraging the workers themselves to apply the principles of motion economy in simplifying their work.

4. Link-analysis is a technique of tracing worker or product movement from "station to station" and is useful in arranging efficient layouts.

5. Ratio-delay involves many instantaneous observations of individual workers and recording what they are doing. It is useful in determing time spent on various jobs and unproductive time.

METHODS USED IN STUDIES OF COOPERATIVE POOLING AND BARGAINING

Wendell M. McMillan
Fruit and Vegetable Branch, Farmer Cooperative Service,
United States Department of Agriculture

Methods used in planning and conducting two studies were discussed. Discussion emphasized application of generally accepted research methods based on the scientific method. The projects were: (1) Analysis of fruit and vegetable bargaining associations, and (2) analysis of pooling techniques for fruit and vegetable cooperatives.

Elements of the scientific method:

1. Statement of the problem area.

2. Review of literature.

3. Statement of objectives of study.

4. Formulation of hypotheses.

5. Planning for collection and analysis of data.

6. Statement of findings, including preparation of reports.

In the bargaining study, we drew on theory of market price in stating the problem area and in formulating hypotheses. Planning, collecting, and analysis of data broadly involved relating and comparing actual market conditions with market situations suggested by the theoretical framework.

Statement of the objectives of both studies indicated that general, descriptive information was the first need in each case. Different methods were used in collecting data for the two studies. The pooling study required a small amount of data from many cooperatives and was obtained by mail questionnaire. In the bargaining study, a large body of data were collected from a small number of associations by means of personal interviews. Analysis of data for both studies is underway. Modified hand tabulation procedures were found to be satisfactory in these studies in view of the number and variety of data.

WORK GROUP DISCUSSION OF RESEARCH METHODOLOGY

Leader - Martin A. Abrahamsen, Director, Purchasing Division
Farmer Cooperative Service
United States Department of Agriculture

Discussion centered on the specific opportunities available for cooperatives to render additional services and to engage in increased research.

Operational Suggestions:

1. Greater efficiency might better be attained through the goal of maximum use of resources rather than merely through meeting competition. Benefits are attainable from increasing the efficiency of the low 90 percent to a point of approaching the level of the top 10 percent.

2. To encourage the participation of the second generation in cooperative activities, such things as junior boards, for better understanding of cooperative principles, could be established.

3. Psychological benefits should accrue to cooperatives if features of cooperation other than the economic aspects are stressed. Some of these features are: Wide local ownership, democratic control, and general acquaintance with business operations.

Research Suggestions:

1. More research is needed concerning the relationship of patronage and participation.

2. Cooperatives require funds for research as well as for education and bad debts.

3. By pooling research funds, more cooperatives could participate in research.

4. Research will be more worthwhile if findings are personally presented and followed up.

WORK GROUP DISCUSSION OF RESEARCH METHODOLOGY

Leader - Max E. Brunk
Cornell University
Ithaca, N. Y.

The discussion was centered around problems in studying the operating efficiency of firms.

1. Comparative costs to be meaningful need to be on the same product of similar quality. Identifying costs based on accounting records is often a problem. Estimates of costs made by firms require judgment in interpreting results. Costs expressed in some other physical units rather than dollar units are meaningful over a longer period of time.

2. Direct labor costs may be allocated by a management appraisal or time study. A guess is usually better than completely ignoring a firm.

3. Variation in labor costs may result from differences in labor efficiency from one season to the next or the tendency of labor crews to pace out work according to the volume of product to be processed.

4. Size of sample needed depends on number of firms in the industry and variation among firms.

5. There is danger of carrying division of labor to the extreme, resulting in too much transition loss. Also the worker's interest in the job can be improved in some instances if he is allowed to carry the product through additional steps. Incentives for labor are sometimes more efficient than increased mechanization.

6. Custom rather than economy in many instances is the deciding factor in selecting ways of doing things.

7. Getting results out quickly is important. Management likes to discuss research results with the person doing the work.

WORK GROUP DISCUSSION OF RESEARCH METHODOLOGY

Leader - M. E. John, Pennsylvania State University
State College, Penn.

Discussion centered around methods of conducting personal interviews.

1. When you ask for information, ask for it in the form in which the respondent thinks of it.

2. With attitude questions, use four questions instead of five, because with five, answers tend to accumulate at the middle.

3. Be sure to use words that have standardized meanings.

4. Pretesting is important. Use a fairly large sample in pretesting.

5. If questions on a mailed questionnaire are crowded, invariably some answers will be left out.

6. In interviewing, we must distinguish between the real answer and the pretended answer.

7. Before beginning a survey in a community, Dr. John believes it is well to contact such agencies as the Better Business Bureau, the local newspaper, and the County Agent. Also to advise people of the survey a day or two in advance through press or radio, and be sure the statement is given exactly as you want it to appear.

8. It is well to leave a short statement with the respondent after close of the interview, inviting inquiry for further information regarding the survey. This statement should also contain the name of the interviewer, together with an indication of where he can be contacted during the period the survey is being made.

WORK GROUP DISCUSSION OF RESEARCH METHODOLOGY

Leader - Herman M. Southworth
Agricultural Marketing Service,
United States Department of Agriculture

Question: Should we increase research into research methods? Does concentration on method stifle imagination?

Answer: The methods used should stimulate imagination. A man with imagination may develop a method. A methodological school may develop, with lots of folks following him in using the method. A problem arises where the followers do not use imagination in choosing and applying the method.

Question: Where can we obtain assistance on choice and application of new tools?

Answer: We can find much such assistance in the Department of Agriculture, but largely have to search it out.

The concensus of the group was to recommend the calling of seminars to discuss individual advanced research techniques. We could learn more about these methods and also make contacts with those in the Department who understand methods, through inviting guest speakers from within the Department.

Delays and postponements of basic studies were discussed. Studies made at specific request, especially service work, often interfer. These requests, however, may fall into patterns. We should make studies to reduce the frequency of these problems. We can develop findings that can be used by others in studying problems, and also can make studies to prevent the occurence of problems.

The great barriers in economic inquiries today may be in the area of human motivation and decision making processes. We analyze many quantitative data. Probably we should investiage more thoroughly "what makes these statistics."

Agricultural economists often should use specialists from other disciplines, rather than to try to do all sorts of things themselves. Discussion of the team approach followed. The successful teamwork between the Market Facilities Branch and Biological Sciences Branch of AMS was mentioned as an example. Operations research involves formalization of the team approach. The integrating force of this seems to lie in mathematical analysis. Operations researchers mainly work as a committee. In much marketing research, economics commonly provides the integrating viewpoint.

WORK GROUP DISCUSSION OF RESEARCH METHODOLOGY

Leader - Fred Waugh, Agricultural Marketing Service
United States Department of Agriculture

Discussion in this group centered around the place of cooperatives in relation to current price support and surplus disposal program

The first question pertained to the type of research needed to enable cooperatives to participate more directly in the solution of current problems of tobacco growers. Recent processing developments appear to reduce the demand for high grade tobacco by making fuller use of undergrades and factory scrap. At present tobacco cooperatives function largely as an agency of the Government in the price support program. However, it was felt that they should assume more responsibility in bargaining and sales of tobacco.

The discussion of the tobacco problem was followed by a general consideration of participation of cooperatives in dairy and other price support programs. Research is needed to determine (1) the place of the cooperatives in such programs and (2) methods of implementing a shift of additional functions to the cooperatives. One of the visitors in the group suggested that the cooperatives themselves should make such a study - perhaps with FCS assistance.

Cooperatives can and should assume some, perhaps most, of the functions of the Commodity Credit Corporation but any practicable price control program would involve a considerable degree of Government participation. For example, it is evident that under present world market conditions the Government will have to continue to subsidize exports of surplus products wether the exports are made by private trade, cooperatives, or a Government agency.

APPLICATION OF RESEARCH FINDINGS BY MANAGEMENT AS SEEN BY A MANAGER

Warren A. Ranney, Director of Industry Relations
Cooperative, G.L.F. Exchange, Inc.
Ithaca, N. Y.

The Cooperative G.L.F. Exchange is a cooperative of many activities. It handles the second largest feed business in the United States. Our trade territory covers 2½ States whereas the largest company covers the 48 States. Our attitude about research has helped in attaining this scale of operation.

R.E.A. - Research, Education, Application - have been important in the philosophy of G.L.F. since its organization.

Some good research has died because it was not carried one step further - to where the results were put into practice.

It is said that everyone believes in progress; however, progress is change for the better and people resist change. One of the problems of management is convincing people that they should change.

Timeliness is very important in research work. If we work on problems that are not timely, we miss the boat.

Application of research results is the important thing - much more so than the kind of report we get out. Some good work is done and the results applied without wide distribution of any type of report.

It is important to get many people in the cooperative organization involved in research.

G.L.F. is interested in research from three standpoints:

1. We make grants to colleges which use it to carry on worthwhile projects. (Results are public property.)

2. We are interested in research carried on by industry.

3. We do some research ourselves.

Our cooperative is interested in research in the following fields: Genetics; chemistry; mechanics; market research including prices; the law of substitution, particularly in the feed industry; materials handling; policy; credit; management practices.

It is important to stay abreast of the times. Research should be designed to determine the social, political and economic climates in which we operate.

G.L.F.'s research objectives are as follows:

1. To determine methods to improve efficiency.

2. To improve ways to maintain and increase membership.

3. To determine new services needed by members.

4. To determine changes in policy needed because of broad social changes.

APPLICATION OF RESEARCH FINDINGS BY MANAGEMENT AS SEEN BY A CO-OP RESEARCH DIRECTOR

Herman M. Haag, Director of Research
Missouri Farmers Association
Columbia, Mo.

Characteristics of the study and its results have most to do with application of research findings. Six questions may be appropriate:

1. Is the problem important to the association? The research director must be informed of the policies, objectives, and plans of the cooperative to enable him to select problems requiring study.

2. Is the action suggested by the findings timely? The research department of a business organization must provide "what management wants, when they want it."

3. Is the study sufficiently thorough to bring out all the important alternatives? The pressure for results may induce the research director to reduce his standards of thoroughness. In such cases, limitations of the study should be made clear.

The researcher for a business organization must try to maintain an objective point of view, independent of present policies of the organization.

4. Are the findings sufficiently conclusive to warrant action?

5. Does the action fit in with objectives of the association? Study may show that large purchasers should receive discounts because of lower costs in serving them. However, the association may insist on one price, regardless of size of purchase, because the association believes in preserving small-scale family-size farms.

6. Is the association in a position to finance the proposed action? Capital is limited. The longer-term viewpoint of the research director can be helpful in planning gradual and reasonable capital expansion.

Many cooperatives fail to use research available to them. Research findings by industry, educational institutions, and Government are freely available but are not sought by nearly enough cooperatives.

APPLICATION OF RESEARCH FINDINGS BY MANAGEMENT AS SEEN BY A FARMER COOPERATIVE SERVICE RESEARCHER

John J. Scanlan, Chief, Poultry Branch, Farmer Cooperative Service
United States Department of Agriculture

Although the great majority of the research findings of our service-type projects are welcomed and applied, a small portion either never reach the boards of directors, are not accepted with enthusiasm, or are effected only after the passage of considerable time. There are a number of known causes for this nonacceptance or nonimplementation. The FCS researcher can do much to create a favorable atmosphere to improve acceptance in (1) the preparation for the requested study, (2) the method of presentation of the findings, and (3) assistance in application of the findings. One of the most difficult fields of service research is that of merging or consolidating cooperatives. Much diplomacy, patience, and repeated efforts are usually required to obtain application of findings in such efforts.

Discussion

Taking our service reports to the cooperative, rather than sending, would help to get the suggestions accepted. Getting management involved in making the study and thinking about the problem is useful. Such "involvement" helps make management people responsible and accountable for results. Much of the role of the researcher may be to coach management, to motivate them to reach conclusions. We must inform the cooperative we will be willing to go further. FCS definitely has a follow-up responsibility.

Following are points for consideration of the FCS researcher:

1. Preparation for the requested study:

   a. Insist on a written request that the work be done. If it is a major problem, the request should come from board of directors.

   b. Work with the State agencies if possible.

   c. Become acquainted with subordinates in the organization. Assure them of the confidential nature of their data.

   d. Competence of researcher is important. He should be able to give information as well ask for it.

2. Method of presentation of findings:

   a. Good summary and conclusions are important.

   b. In the summary of a long report, references might be given to the page in the text where the subject is covered in detail.

   c. Present results in person.

   d. In some instances it is well to have more than one person present to make the report.

   e. Make the report to those requesting the study.

   f. Have a special board meeting called to present the report rather than attempting to do it at a regular board meeting.

   g. Mail the written report 7 to 10 days before making the personal report. (Keep a record of those receiving copies of a confidential report.)

3. Assist in application of findings. Following are reasons research results are not widely used by cooperatives:

   a. They may point out weaknesses of management;

   b. Findings may not agree with ideas of the board of directors.

c. Findings may be too forward looking for management to appreciate.

d. Banks for Cooperatives may have requested the study and the cooperative may feel it has been forced upon them.

DEMONSTRATION OF CASE PROBLEM

by FCS Staff Members

Irvin Rust, Leader
Henry Bradford
Robert Byrne
Paul Wilkins

1. The basis of research in agricultural economics lies in the application of the scientific method to the solution of a problem.

a. If answers are of immediate importance, the operation may be termed "applied research."

b. If not, the term "pure research" applies.

2. Steps involved in the scientific method are:

a. Establishment of the problematic situation.

b. Definition of the problem.

c. Orderly collection and exploration of data.

d. Formulation of the hypothesis.

e. Test of hypothesis with possible additional data.

f. Restatement of the hypothesis.

3. Demonstration showed how the scientific method could be applied effectively to the solution of a case study problem. The problem at hand dealt with the establishment of equitable hauling rates for eggs.

4. Good relations between FCS staff members and State and local people are important. The demonstration showed the FCS researcher contacting the state college, the state department of agriculture, and the county agent before becoming involved with the cooperative in solution of its problem.

WHAT FCS IS DOING TO IMPROVE COOPERATIVE MANAGEMENT PERFORMANCE IN FROZEN FOODS

L. B. Mann, Chief, Frozen Food Locker Branch
Farmer Cooperative Service
United States Department of Agriculture

Management is the decision making personnel of a business enterprise. Its task is to organize itself so as to assure that each decision it makes is the product of reasoned judgment based on factual information and weighed against uncertainties of the future. Poor management is given more often as the reason for cooperative failure than any other.

We in FCS should be interested in the management field because without capable, alert management, willing to take advantage of the results of our research findings, much of our work is wasted.

The locker business has developed rapidly and undergone many changes in the past 15 years. Operators have had to expand operations into the fields of processing and merchandising. Better trained managers are required to handle procurement of livestock, processing, inventory control, advertising and promotion, selling, credit extension, cost determination and public relations.

To help these plants with their problems, a program was begun in 1940. Thirty cooperatives operating 75 to 100 plants in Illinois are studied each year. The operations are analyzed for efficiency. Yardsticks have been developed which show, for example, that $2.50 of income should be produced for each dollar spent for labor and $80 of income per year should be produced for each $100 of invested capital.

Other studies of value to management are:

1. Cost studies.

2. Work simplification studies.

3. Management aid and program development on a case study basis.

4. Management institutes (conducted by the Departments of Business Management of North Carolina and Illinois Universities during the past 3 years).

5. A management appraisal study carried on under contract with the Bureau of Business Management of the University of Illinois.

The future growth and development of cooperatives depends largely upon the ability and vision of capable and aggressive management. Private business is spending thousands of dollars in training their employees in modern management techniques. If cooperatives are to compete, they must follow a similar course.

We in FCS need to give much more attention to improved management methods if we are to be of maximum help to the cooperatives. It would be helpful if we had more trained personnel in this field in the Service to assist us.

WHAT FCS IS DOING TO IMPROVE COOPERATIVE MANAGEMENT PERFORMANCE IN GRAIN MARKETING

Daniel H. McVey, Chief, Grain Branch, Farmer Cooperative Service
United States Department of Agriculture

Grain Branch research and publications covering the past 20 years have been directed mainly toward improving management. As problems facing cooperative management have changed, so has emphasis in the research program of the Grain Branch.

We are working on several current studies. A local cooperative elevator management study underway in Oklahoma is aimed directly at studying management performance. The purpose is to develop standards for local elevators to improve the effectiveness of their operations through analysis of management, organization, controls, delegation of authority, and methods of organization and communications.

Grain Branch personnel have assisted in manager-bookkeeper schools in the States of Texas, Kansas, Oklahoma, Iowa, Illinois and Nebraska. These schools are useful in improving management performance.

Several problem areas require attention. These mainly involve current marketing developments. Management needs research findings to improve performance in meeting these problems. Following are some of the more important problem areas:

1. If surpluses are liquidated, cooperative elevators which have been depending heavily on income from CCC storage may be in trouble. This is particularly true in cases where heavy debt has been incurred for recent facility expansion. Part of the income will need to come from merchandising rather than from storage. Most local managers have not had merchandising experience. Reduced costs and increased efficiency become even more important in these cases. Integration and consolidation, to make use of idle facilities, may be the answer in some instances.

2. Areas of grain production are shifting. More is being produced in the South. Problems of storage and marketing here are different. Cooperative management needs answers to the new questions arising from this shift. With the development of the St. Lawrence Seaway the production and marketing pattern may be changed considerably, thus bringing another variety of new problems.

3. There is a new practice of moving grain directly from the farm to the terminal, bypassing the local elevator. If this practice grows, local cooperatives may be in serious trouble. They would like to know reasons farmers pass by a local elevator and drive 10 miles farther with their grain. What is the effect of the increased volume on the cost at the larger elevator receiving the extra grain? On the elevator which lost the grain?

WHAT FCS IS DOING TO IMPROVE COOPERATIVE MANAGEMENT PERFORMANCE IN FARM SUPPLIES

J. Warren Mather, Chief, Farm Supply Branch,
Farmer Cooperative Service
United States Department of Agriculture

Most of our work (both research and service) is directed at assisting management in improving operations, services and facilities. Work underway or recently completed in this area includes:

1. Study of effectiveness of membership publications.

2. Bulk distribution of fertilizer and lime -- methods and costs.

3. Economic and transportation aspects of cooperative fertilizer manufacture and distribution in the South.

4. Credit-control studies.

5. Inventory management study.

6. Annual handbook covering 23 regional cooperatives.

7. Quarterly analyses of sales, receivables and inventories of 15 regionals.

8. Work with business research department of five or six regionals.

9. Developing standards for efficient operation.

Work in improving operations and functions bearing more directly on personnel management includes:

1. Talks on standards for measuring management.

2. Standards for petroleum deliverymen.

3. Compensation methods for petroleum deliverymen with special emphasis on incentive payments.

Work in improving management per se:

1. This involves principles and techniques of managing people rather than operations, inventories, or equipment.

2. Management per se usually is considered to include five steps:

a. Planning
b. Organizing
c. Directing
d. Coordinating
e. Controlling

A Pennsylvania regional, however, uses 11 points in outlining responsibilities of local managers. These are:

a. Finance
b. Membership relations
c. Organization planning
d. Sales Promotion
e. Communication
f. Supervisory selection
g. Supervisory development
h. Work scheduling
i. Public relations
j. Wage administration
k. Cost control

3. Our work in this area includes:

a. Arkansas study involving organizational structure, duties, responsibilities and authority of key personnel. Condensed job descriptions were used and departments were grouped to relieve managers of directly supervising so many people.

b. Study dealing with distribution systems of regionals involving fieldmen services; i.e. commodity vs. functional basis, district vs. State basis, and related problems.

c. Requests for other studies of this type in Michigan, Ohio and Minnesota include how local managers spend their time, and compensation systems for local managers.

WHAT FCS IS DOING TO IMPROVE COOPERATIVE MANAGEMENT PERFORMANCE IN LIVESTOCK MARKETING

C. G. Randell, Chief, Livestock and Wool Branch
Farmer Cooperative Service
United States Department of Agriculture

Most of our projects are designed to get facts which will help managers do a better job. We have been working for years to get cooperatives to be more management conscious.

Specifically we are cooperating on two programs now under way. They are designed to aid local and regional managers of cooperatives affiliated with the two national organizations, the National Livestock Producers Association and the National Wool Marketing Association.

The two programs, while designed for the same purpose were developed quite differently. The program for the National Livestock Producers Association has been under consideration for 2 years. Until recently, it has been difficult to get support for the program. Now managers of regional affiliates are enthusiastically backing the program. The stage has to be set; personalities, politics, and inertia have been dealt with. Top management experts from all over the United States have consented to participate. The first session was held in November of this year and two others are scheduled for March and June of 1957.

The program for the National Wool Marketing Association, on the other hand, has developed much faster, possibly even too fast for the assurance of getting best management people to help with it. The difference in development of the two programs is due largely to the dynamic public relations man in the wool marketing association. He has come in and asked for help on the program since they decided they wanted one a month ago. A meeting has been called to make further plans for this management session which is tentatively set for early February 1957.

HOW FCS CAN HELP DEVELOP AND TRAIN COOPERATIVE MANAGEMENT

FCS Staff and Workshop Visitors

Directors of cooperatives must be persuaded to offer better salaries and employment conditions if they are to attract and keep competent management personnel.

The management training program for livestock men is not designed for top management only. In one case eight of the staff of one association will attend. Also, persons attending will be encouraged to develop programs for their staff at home.

It is the responsibility of FCS to try to get State cooperative councils and the larger regional cooperatives to go ahead with schools and training programs for management. We should give leadership and as much help as possible.

Definition of the terms basic research, applied research, and service is not important. All research and service is intended as a source of information for management.

FCS has played an important role in organizing management schools in several States. The nature of this role has varied, but because our staff is too limited to do much alone to develop management, we have sought to shift responsibility as soon as possible to local groups -- regional cooperatives, State councils, and colleges. Increased emphasis should be placed on our work with these groups. We should assist and provide informational material so that these people can better cope with management problems.

Standards should be kept high in these schools -- probably at the college freshman level. They will be less useful and less attractive if there is too much effort to bring the schools down to a lower level. However, to provide for future management needs, the schools should include cooperative personnel in the lower echelons - assistant managers, bookkeepers or others who have potential managerial abilities. To be most effective, the training at these schools should provide a real challenge to those participating.

The training aids prepared by the FCS Membership Relations Branch are helping in local training programs.

Cooperative management can be improved by pay level and incentive adjustments directed at attracting and keeping competent people in cooperative work.

Are we putting too much emphasis on formal research? Perhaps we can do more to help cooperatives help themselves. It is helpful to observe good ideas in use by cooperatives and to make them available to others. Knowledge of special commodity problems and how they are influenced by the distinct features of cooperative operation are necessary.

CLOSING COMMENTS

Joseph G. Knapp, Administrator, Farmer Cooperative Service
United States Department of Agriculture

We have had a grand Workshop - one of our best. I am glad to see us improve with age. May I congratulate our Program Committee, under the able Chairmanship of Don Hirsch, for the excellence of our program. It exemplified good management and good research procedure - and these two ideas are closely related. Good management calls for good research and good research calls for good management. We have had a lot of talk about fundamental and basic research vs. applied and "quickie " research. There is a place for both. We must use the right tools for the right job and sometimes we must even make the tools.

These Workshops always stimulate me, but they leave me with a sense of frustration. They point up so many things to be done--so many needs, so many opportunities. I like this sense of frustration for it challenges us to plan our way out of it. Let me leave this thought with you -- a good research worker must be frustrated at least 10 percent of his time. Otherwise he would become conceited. The same goes for managers.